



## County Manager

### Davie County Government

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DavieCountyNC.gov



To: Davie County Board of Commissioners

From: Mike Ruffin, Interim County Manager

Date: May 23, 2022

Re.: Fiscal Year 2022-23 Budget Message

I am proud to present a budget that has been prepared by a great staff of County employees who care about the citizens they serve. I am not going to be long-winded in presenting next year's budget with you. It is balanced, maintains services at its current levels, implements a sorely needed pay plan, provides cost of living raises and retention bonuses for County employees, continues to ensure sufficient funding to educate our children, and will restore the County's fund balance to the amount required by the County's Financial Policies by the end of next fiscal year. In short, it is a budget that will meet the expectations of our citizens and provide very little to argue about.

The budget is based on a property tax rate of \$0.733 per \$100 of valuation. The value of a penny of property value equates to approximately \$573,153. In addition, we have maintained a \$0.04 countywide fire tax, and the Advance Rural Fire Protection District tax recommended rate is \$0.02438 (in addition to the current \$0.04 county-wide fire tax). The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act, with Fund Balance Appropriated at \$4,493,521.

<b>Fund</b>	<b>FY 2023 Manager Recommended</b>
General Fund	\$80,313,681
Advance Rural Fire Protection District Fund	\$476,705
Environmental Protection Fund	\$423,000
Public Utilities Fund	\$8,425,279
E-911 Fund	\$139,198
Corona Virus Relief Fund	\$171,002
Employee Health Fund	\$5,723,283
<b>Total FY2022-2023 Recommended Budget</b>	<b>\$95,672,148</b>

### ***Bond Rating / Fund Balance / Adherence to County Financial Policies***

The county has maintained a Bond Rating of Aa2 by Moody's Investors Service (Moody's) and a rating of AA+ by Standard and Poor's (S&P). These rankings are excellent for a rural county, as only urban counties are ranked higher due to their growth and tax base. Moody's and S&P rated Davie County at this high level, due to our strong history of budgetary performance, conservative budgeting philosophy, ability to balance service demands with available revenues, our fiscal policies that govern our work, and our performance based budget process, which improved fiscal forecasting. Our strong ratings show Davie County is extremely competitive in the Piedmont-Triad region of North Carolina.

The Local Government Commission (LGC) recommends counties with General Fund budgets less than \$100 million to establish a minimum fund balance reserve of 20%. Consistent with Davie County's mindset of fiscal sustainability, the Board has adopted a fund balance reserve policy of 25% for the General Fund. Commissioners may appropriate funds that would reduce the Available Fund Balance below the 25% threshold during declared fiscal emergencies or to protect the long-term fiscal security of the county. In such circumstances, the Commissioners will adopt a plan to restore the Available Fund Balance to or above the threshold within 36 months from the date of the appropriation. Currently, Davie County has an available fund balance reserve of 17.6% while the median fund balance reserve of other counties with budgeted expenditures less than \$100 million is 39%.

Since the available fund balance has been below 25% for three consecutive years: June 30, 2019 (24.39%); June 30, 2020 (20.17%); and June 30, 2021 (17.6%) the Board of Commissioners adopted a Fund Balance Restoration Plan to get the fund balance over 25%. As a result, the fund balance reserve is projected to be restored to 25% by June 30, 2023.

The county has a policy establishing a minimum 10 Year Tax Supported Payout Ratio of 55% measuring the amount of principal to be retired over the next 10 years. This ratio is an important metric that indicates whether or not a locality is back-loading its debt. Davie County's current ratio is 85.4%. The county also has a policy establishing a maximum Debt to Assessed Value of 2.50%. Currently, Davie County's existing Debt to Assessed Value is 1.21%. Moody's criteria for General Obligation Credits for Debt to Assessed Values shows Davie County within the Strong category while S&P acknowledges ratios below 3% as positive. Governmental Expenditures represent the ongoing operating expenditures of the county. In this analysis, debt service and capital outlay expenditures are excluded. The county has a policy establishing a maximum level of Debt Service to Expenditures of 15.00%. S&P notes the Debt and Contingent Liabilities as categories of Net Direct Debt as a percentage of Total Governmental Funds. Davie County falls within their Strong Category, with a projected ratio of 12.92% for FY 2022. The Board may, from time to time, allow ratios to fall below a policy for a declared fiscal emergency or other such purpose, as to protect or enhance the long-term fiscal security. In such circumstances, the Board will adopt a plan to restore the policy to the target level within a specified time frame.

The Board has also approved prudent fiscal policies to help guide future growth in our Water and Sewer Enterprise Fund, while also providing greater fee predictability for residents, year to year. These policies will provide for future predictability, allow for orderly expansion of services and operations within the financial framework, ensure efficiency while providing necessary services, and maintain a minimum debt service coverage ratio ( $\text{Net Revenue Available for Debt service} \div \text{Annual Debt Service}$ ) of 1.50x of Total Indebtedness. In addition, the county will maintain a minimum liquidity balance for the Enterprise Funds equal to 365 Days Cash on Hand. Days Cash on Hand represents the unrestricted cash balances of the Enterprise Funds  $\div$  Annual Operating & Maintenance Expense  $\div$  365. As determined by the Financial Forecast, the county will implement annual rate increases, as necessary, with a goal of limiting any increases to a maximum of 3.00% in any given year (unless approved by the Board of Commissioners).

Davie County follows a staggered rate increase to avoid any large spikes in utility services for citizens, while staying below the state and national annual escalation rate average of 4-6%. This budget includes the fee recommended by our consultant (Raftelis), as noted on the approved fee schedule, and includes the approved/projected escalation rate of 3.0%.

### ***Impacts to the FY 2022-23 Budget and Future Budget Years***

Needs typically exceed revenues. To combat this, Davie County continues its commitment to a Performance Based Budgeting philosophy. This allows us to focus on historic/actual spending, prioritizing outcomes, and using data to make informed decisions. This will require us asking questions we may not have asked before in order to compile data that enables us to show the results of the exemplary work being done by staff each and every day.

As more companies choose to invest in Davie County, we hope their investment will result in jobs that pay above the median income. While economic growth is positive for communities, it comes with an associated cost that must be planned for in order to maintain financial sustainability. Population growth brings increased service demands for county services. Economic development is strong, and we hope to enhance these efforts more over the next few years, as we plan for future growth and infrastructure.

As the county grows, it will be important for us to maintain, or even increase, service delivery to our citizens. Therefore, our staff will continue to explore innovative ways to create revenue while looking toward outside funding. We will also continue to work with our federal, state, and local elected officials on collective outcomes and needed resources to best serve the citizens of Davie County.

Davie County is scheduled to receive \$8,322,333 in Federal Coronavirus recovery assistance through American Rescue Plan Act (ARPA) funds. The deadline to obligate these funds is December 31, 2024, and the funds must be used by December 31, 2026. County staff has studied the rules of how these funds can be allocated most effectively. Therefore, this recommended budget includes \$2,786,886 of ARPA funds that will be spent on employee salary and benefits; thus freeing up General Fund resources to fund capital projects. As a result of American Rescue Plan funding, we plan to give a bonus to employees in October 2022 (\$1,062,300); assist with capital projects for EMS and Recreation (\$840,000); and secure other one-time capital items (\$884,586).

Davie County continues to invest in needed capital improvements, enhanced technology, streamlined operations, and our employees. A study of Davie County salaries compared to other local jurisdictions was conducted in 2021; consequently, this budget includes salary increases for 95% of our County employees. Also included is a two percent cost of living adjustment, and a potential performance merit increase of up to one percent for all employees. In regards to staff benefits, this budget includes increases for both retirement contributions and health insurance premiums. To reduce health care claims, we will continue the Health Risk Assessment (HRA) for full time employees and their spouses on the county's health insurance plan.

I always like to underscore what I think are the more important budget highlights, the one that would fall out if you threw the budget against a wall. Those highlights are below.

### ***Budget Highlights***

- Property taxes will remain at \$0.733. The countywide fire tax rate will remain at \$0.04. In addition, the Advance Rural Fire Protection District tax rate will remain at \$0.06438.
- Revised Fee Schedules;
- Supporting 404 Full Time and 120 Part Time/Hourly staff to provide superior services to our citizens;
- Continuing policies that assist with good fiscal performance for both our General Fund budget and Enterprise Fund for Public Utilities;
- Employees are eligible to receive up to a 3% salary increase unless they are experiencing any current performance issues and/or are serving in a probationary status. This will consist of those eligible receiving a 2% cost-of-living increase in their salary beginning on July 3, 2022. Probationary employees are eligible to receive the 2% increase at the completion of their probationary period. Further, employees who perform well, as noted on our county-wide performance appraisal, may be eligible to receive up to an additional 1% salary merit, as determined by their department director on their anniversary date;
- Full-time employees on October 1<sup>st</sup> will receive a \$2,000 retention bonus and part-time employees will receive a \$500 bonus.
- Investments in employee wellness programs for staff to keep our self-insurance rates as low as possible for employees, including continuing Health Risk Assessments at the County Employee Wellness Center;
- Investments in staff development and training;
- Increase in retirement contribution rate according to NC Local Government Employees' Retirement System regulations;
- Continued implementation of our Davie County Comprehensive Plan, and construction of regional water expansion facility to align and complement our County Strategic Plan;
- Investment in maintaining County facilities, and securing current technology to operate efficiently;
- Incentives for business recruitment, growth, and retention for economic development;
- Continued investment in Senior and Veteran services/programs;
- Funding for community recreation centers will be reviewed and allocated by the Recreation and Parks Advisory Board;
- Operational increases for the new county park and partnership with NC Fusion for field turf;
- Contribution to Lake Louise Park for maintenance;
- Funding for cultural, arts and tourism partner agencies;

- Continuation of our vehicle replacement plan to replace decommissioned vehicles and one ambulance that have reached end of life;
- Increased Fire Department/Rescue funding, Fire Works reporting software for all departments that interfaces with new computer aided dispatch (CAD) system, and mobile radio updates for fire and rescue departmental radios purchased by County in 2016;
- Adherence to the five focus areas and monitor key departmental metrics as outlined in the Davie County Strategic Plan and performance based budget;
- Improving our safe and healthy community with enhanced access to health services through expanded convalescent care transportation, community para-medicine, and partnership with a Federally Qualified Health Center;
- YVEDDI Transportation Services to residents;
- Continued investment in Davie County Schools through the Interlocal Agreement for education of our children (ninth consecutive year of increase);
- Continued investment in secondary education for Davie County citizens through increased contribution to Davidson-Davie Community College;
- Adherence to the Interlocal Agreement of our three towns;
- Mileage reimbursement rate of \$0.45 per mile;
- Investment in our environment through Cooperative Extension, NC Forest Service, Davie Soil and Water Conservation and Davie County Watershed Improvement Commission; and
- Alignment with Davie Economic Development Commission's Strategic Plan (Workforce Development through Ignite Davie Promise /Davie Works, Cognition Museum, and economic development incentives).

### ***Statutory Requirements***

North Carolina General Statute § 159-11(b) requires the County Manager to submit a proposed budget and budget message to the governing body by June 1<sup>st</sup> of each year. On the same day that the budget is presented to the governing body, the budget officer shall file a copy of it in the office of the clerk for public inspection and schedule a public hearing. This public hearing has been scheduled for the regularly-scheduled Board of Commissioners Meeting on June 6, 2022 at 6:00 p.m.

The governing body must adopt the annual budget ordinance by July 1<sup>st</sup> [North Carolina General Statute 159-13(a)]. However, North Carolina General Statute § 159-16 directs that if the budget ordinance is not adopted by July 1<sup>st</sup>, the governing body must adopt "interim appropriations for the purpose of paying salaries, debt service payments, and the usual ordinary expenses" of the county until the ordinance is adopted. North Carolina General Statute § 159-13 specifies that not earlier than 10 days after the budget is presented to the governing body and not later than July 1<sup>st</sup>, the governing body shall adopt a budget ordinance. Otherwise, the Board of Commissioners may adopt an interim budget ordinance to be effective from July 1<sup>st</sup> to August 1<sup>st</sup>.

The public hearing on the recommended budget is schedule for June 6, 2022 at 6 pm. Budget information can be found on our website at <https://www.daviecountync.gov/222/Budget>.

## ***Closing Remarks***

Davie County's vision statement affirms we will be a vibrant, prosperous, and dynamic county, committed to building a sustainable future for generations to come, while celebrating our rural heritage and enhancing our quality of life. Our mission statement notes our desire to provide superior public service, offering all citizens the opportunity to improve their quality of life, while enjoying the benefits of a safe, healthy and vibrant county.

We are pleased to work with the Board of Commissioners to further the county's Strategic Plan (<https://www.daviecountync.gov/847/Supporting-Resources>) and work diligently to serve our staff, citizens, and community. Our five focus areas (Safe & Healthy Community, Growth and Infrastructure, Business Operations, Quality of Life & Place, and Education) will guide our organization in making decisions as we focus on outcomes.

Government cannot independently solve all of our issues. Davie County is filled with wonderful people who volunteer daily to better our community. It takes all of us in conjunction with our towns, county staff, private sector partnerships, nonprofits, faith-based partners, and volunteers to effectively serve our county.

Thank you, Commissioners, for your input during the budget development process. Also, I thank our Department Directors for their tireless efforts and each county employee who faithfully serves the citizens of Davie County daily. May we collectively continue to move the county forward.

Cc: Stacy Moyer, Clerk to the Board  
Robin West, Assistant County Manager/ Chief Financial Officer  
Cindy Chapman, Strategy and Budget Director  
Ed Vogler, County Attorney  
Department Directors